

## Message Text

LIMITED OFFICIAL USE

PAGE 01 DACCA 03385 121259Z

53

ACTION TRSE-00

INFO OCT-01 EA-06 NEA-10 ISO-00 IO-10 SP-02 AID-05 EB-07

NSC-05 CIEP-01 SS-15 STR-04 OMB-01 CEA-01 L-03 H-02

PA-01 PRS-01 USIA-06 CIAE-00 COME-00 FRB-03 INR-07

NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01 /101 W

----- 033816

R 100950Z JUL 75

FM AMEMBASSY DACCA

TO SECSTATE WASHDC 7397

INFO AMEMBASSY ISLAMABAD

AMEMBASSY KATHMANDU

AMEMBASSY MANILA

AMEMBASSY NEW DELHI

LIMITED OFFICIAL USE DACCA 3385

MANILA FOR USADB

EO 11652: N/A

TAGS: EFIN, BG

SUBJ: BANGLADESH BUDGET: SPEECH AND DOCUMENTATION

REF: DACCA 3112

1. SUMMARY. FOLLOWING PRELIMINARY REPORT (REFTEL), THIS TELEGRAM REPORTS ON FINANCE MINISTER'S SPEECH AND TRANS-MISSION OF BUDGET DOCUMENTS; ANALYSIS AND COMMENT ON BUDGET AND ANNUAL DEVELOPMENT PLAN (ADP) FOLLOW SEPTTEL. END SUMMARY.

2. DOCUMENTATION. ONLY VERY LIMITED QUANTITIES OF ENGLISH VERSION OF BUDGET DOCUMENTS AVAILABLE NOW. WE WILL PROCURE COPIES FOR CERP REQUIREMENTS AS SOON AS AVAILABLE. ANN GRIFFIN, NEA/PAB HAND CARRYING ONE COPY OF BUDGET SPEECH TO WASHINGTON. ADP RELEASED IN BANGLA; LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 DACCA 03385 121259Z

ENGLISH VERSION DUE IN ABOUT ONE MONTH. WE WILL PROCURE

ENGLISH VERSION FOR CERP REQUIREMENTS AS SOON AS AVAILABLE.

3. SPEECH. THE FINANCE MINISTER, DR. AZIZUR RAHMAN MALLICK, IN A JUNE 23 SPEECH LACED WITH LIBERAL DOSES OF SECOND REVOLUTION RHETORIC, REVIEWED FY 75 ECONOMIC DEVELOPMENTS, AND INTRODUCED THE REVISED FY 75 BUDGET, THE FY 76 BUDGET, AND THE FY 76 ANNUAL DEVELOPMENT PROGRAM ALLOCATIONS.

4. REVIEW OF ECONOMIC PROBLEMS AND PERFORMANCE OF FY 75. CHARACTERIZING FY 75 AS "A YEAR OF TRAIL", MALLICK CATALOGED PROBLEMS FACED BEGINNING WITH FOREX CRISIS AND INCLUDING "DISASTROUS FLOOD" AND ACCIDENTAL" EXPLOSION AT GHORISAL FERTILIZER FACTORY. NEVERTHELESS, 74/75 FOODGRAIN PRODUCTION HAD BEEN ONLY marginally LOWER THAN 73/74 WHILE PRODUCTION OF TEA, SUGARCANE, POTATOES AND TOBACCO HAD INCREASED SIGNIFICANTLY. ONLY JUTE SUFFERED SIGNIFICANT DECLINE IN OUTPUT. DECLINING EXPORTS OF JUTE GOODS CAUSED "HUGE LOSSES" REQUIRING LARGE SUBSIDIES TO MILLS.

5. ECONOMIC POLICY CHANGES DURING FY 75. DEVALUATION, "MOST IMPORTANT ECONOMIC MEASURE TAKEN", WAS AIMED AT IMPROVING THE COMPETITIVE POSITION OF JUTE AND JUTE GOODS, EXPANDING EXPORTS AND INSURING AN ADEQUATE DOMESTIC PRICE FOR JUTE. MALLICK ANNOUNCED THE CREATION OF "THE JUTE FUND" FOR UTILIZATION BY THE JUTE SECTOR OF THE ECONOMY, TO BE FINANCED BY TAXING THE WINDFALL GAINS THE JUTE INDUSTRY RECEIVES AS A RESULT OF DEVALUATION. OTHER ECONOMIC POLICY CHANGES IN FY 75 INCLUDED RAISING THE CEILING ON PRIVATE INVESTMENT, THE RETURN OR SALE OF 215 INDUSTRIAL UNITS THAT HAD BEEN DECLARED ABANDONED PROPERTY, DEMONETIZATION, DECREASING THE MONEY SUPPLY, AND ADOPTION OF A TOUGH SELECTIVE CREDIT POLICY.

6. REVISED FY 75 BUDGET. BOTH REVENUE RECEIPTS AND REVENUE EXPENDITURES WERE REVISED UPWARD. MALLICK ATTRIBUTED THE RISE IN RECEIPTS TO INCREASED COLLECTIONS OF SALES, INCOME AND CORPORATION TAXES AND TO INCREASED LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 DACCA 03385 121259Z

REVENUES FROM STAMPS, FORESTS AND REGISTRATIONS. INCREASED EXPENDITURES WERE DUE TO THE INCREASED SUBSIDIES FOR FOODGRAIN SALES, SUBSIDIES TO THE TEA AND JUTE INDUSTRIES, AND FLOOD-RELATED COSTS OF FREE FOOD DISTRIBUTION. INCREASED EXPENDITURES RESULTED IN A SMALLER REVENUE BUDGET FOR PLUS THAN EXPECTED. RATHER THAN REDUCE THE SIZE OF THE ADP (TAKA 5.25 BILLION) THE SHORTFALL WAS MET WITH DEFICIT FINANCING (TAKA 186.2

MILLION).

7. FY 76 REVENUE BUDGET. RECEIPTS ESTIMATED TO RISE FROM TAKA 5.95 BILLION IN FY 75 TO TAKA 7.55 BILLION IN FY 76. EXPENDITURES ARE ESTIMATED TO RISE FROM TAKA 5.31 BILLION IN FY 75 TO TAKA 5.99 BILLION IN FY 76. BIGGEST INCREASES IN EXPENDITURES ARE FOR INTEREST (TAKA 120 MILLION INCREASE), EDUCATION (TAKA 70 MILLION INCREASE) AND CIVIL ADMINISTRATION (TAKA 60 MILLION INCREASE). MINISTER EMPHASIZED THE BDG'S COMMITMENT TO "CONTAIN REVENUE EXPENDITURE" AND TRANSFER RESOURCES TO DEVELOPMENT. THE REVENUE BUDGET SURPLUS OF TAKA 1.56 BILLION WILL MAKE UP THE BDG'S CONTRIBUTION TO THE DEVELOPMENT BUDGET. THE COMBINED BUDGET (REVENUE AND DEVELOPMENT) WILL YIELD A TAKA 3 MILLION SURPLUS ACCORDING TO MALLICK.

8. ANNUAL DEVELOPMENT PROGRAM (ADP). ADP EXPENDITURES SHARPLY HIGHER IN TAKA TERMS FROM TAKA 5.25 BILLION TO TAKA 9.50 BILLION. (HOWEVER, OF COURSE, THIS GREATLY OVERSTATES THE REAL CHANGE BECAUSE THE TAKA FIGURES MUST BE ADJUSTED BOTH FOR DEVALUATION AND INFLATION, WHICH ALTHOUGH BROUGHT UNDER SOME CONTROL IN THE PAST FIVE MONTHS, PROBABLY RAISED COSTS 40 PERCENT TO 60 PERCENT DURING 1974/75.) IN ADDITION TO REVENUE BUDGET SURPLUS (PARA5) ADP FINANCED BY FOREIGN LOANS AND GRANTS (TAKA 7.00 BILLION) AND "NET RECEIPTS OUTSIDE REVENUE ACCOUNT" (TAKA 938 MILLION). ALL SECTOR ALLOCATIONS INCREASED IN FY 76. LARGEST INCREASES WERE FOR POPULATION (213 PERCENT), POWER, NATURAL RESOURCES AND SCIENTIFIC RESEARCH (113 PERCENT) AND INDUSTRIES (109 PERCENT). THE ALLOCATION FOR AGRICULTURE AND RURAL LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 DACCA 03385 121259Z

INSTITUTIONS IS TAKA 1.63 BILLION. PRODUCTION TARGETS WERE SET FOR RICE AND WHEAT (12.6 MILLION METRIC TONS), JUTE (4 MILLION BALES), AND SUGARCANE (-,000 MT).

MALLICK THEN OUTLINE THE ROLE OF COMPULSORY COOPERATIVES. LAND OWNERS WILL RETAIN OWNERSHIP BUT ARE REQUIRED TO JOIN, ALONG WITH LANDLESS AND "OTHER SECTIONS OF THE PEOPLE", THE COOPERATIVE SOCIETIES TO INCREASE AGRICULTURAL PRODUCTION. INITIALLY (FY 76) 60 TO 100 VILLAGES WILL BE BROUGHT UNDER THIS PROGRAM THAT EVENTUALLY WILL INCLUDE "ALL VILLAGES IN THE COUNTRY". OUTPUT OF THE COOPERATIVES WILL BE DIVIDED AMONG THE LANDOWNERS, WORKERS AND THE GOVERNMENT "IN ACCORDANCE WITH THEIR CONTRIBUTION AND REQUIREMENT". TAKA 100 MILLION (\$7.8 MILLION) IS ALLOCATED FOR IMPLEMENTATION OF COMPULSORY

COOPERATIVES. FYI THE PRESIDENGPMNNOUNCED A TAKA 70  
MILLION (\$5.4 MILLION) ALLOCATION FOR ANOTHER MAJOR  
"SECOND REVOLUTION" PROGRAM THAT OF CONVERTING SUB-  
DIVISIONS TO DISTRICTS (SEE DACCA 3155). OTHER PROGRAMS/  
PROJECTS MENTIONED WERE POPULATION, THE ASHUGANJ FERTI-  
LIZER FACTORY, DISTRIBUTION OF ELECTRICITY, AND DACCA'S  
KARMATOLO AIRPORT.

9. TAX PROPOSALS. MALLICK ATTRIBUTED THE ESTIMATED  
SHARP INCREASE IN CUSTOMS AND SALES TAX REVENUES IN  
FY 76 TO AN EXPECTED QUANTUM INCREASE IN IMPORTS OF  
35 PERCENT, INCREASES IN AD VALORUM AND SALES TAX  
COLLECTIONS BECAUSE OF DEVALUATION AND, FINALLY 6 59 -  
MORE EFFICIENT TAX COLLECTION SYSTEM. BECAUSE OF THESE  
INCREASES NO MAJOR TAX CHANGES WERE PROPOSED. INCOME  
TAX RELIEF FOR THE MIDDLE AND UPPER INCOME GROUPS WAS  
PROPOSED. FYI THE UK HIGH COMMISSION HERE CALCULATES  
A 20 PERCENT INCREASE IN AFTER-TAX EARNINGS OF MIDDLE  
INCOME BANGALEES. END FYI.  
BOSTER

LIMITED OFFICIAL USE

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** GOVERNMENT BUDGET, DEVELOPMENT PROGRAMS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 10 JUL 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** greeneet  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975DACCA03385  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D750241-0919  
**From:** DACCA  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1975/newtext/t19750766/aaaacgox.tel  
**Line Count:** 189  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION TRSE  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 4  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 75 DACCA 3112  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** greeneet  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 23 JUL 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <23 JUL 2003 by ShawDG>; APPROVED <19 NOV 2003 by greeneet>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
06 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** BANGLADESH BUDGET: SPEECH AND DOCUMENTATION  
**TAGS:** EFIN, BG  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006